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NOTIFICATIONS BY HEADS OF DEPARTMENTS, Etc.

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**ANDHRA PRADESH ELECTRICITY REGULATORY COMMISSION
HYDERABAD.**

Lr.No.APERC / Secy / F.No.S-19 (Vol.II) / D.No.554 / 2023.

Date: 29-03-2023.

[Regulation 2 of 2023]

**FOURTH AMENDMENT TO THE ANDHRA PRADESH ELECTRICITY
REGULATORY COMMISSION (TERMS AND CONDITIONS FOR
DETERMINATION OF TARIFF FOR WHEELING AND RETAIL SALE OF
ELECTRICITY) REGULATION, 2005.**

Introduction

The erstwhile APERC (Andhra Pradesh Electricity Regulatory Commission) of the undivided Andhra Pradesh State notified the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Regulation, 2005 (Regulation No.4 of 2005) (hereinafter referred to as 'the Principal Regulation') which was published in the AP Extraordinary Gazette on 14.11.2005. The first amendment to the Principal Regulation was notified by the erstwhile APERC in the AP Extraordinary Gazette on 07.03.2014 (vide Regulation No.1 of 2014).

And the newly constituted APERC for the State of Andhra Pradesh, which came into existence w.e.f. 01.08.2014 post bifurcation of the undivided AP State, adopted the above Regulations, among others, vide APERC (Adaption) Regulation, 2014 (Regulation No.4 of 2014). Subsequently, the new APERC notified the second amendment to the Principal Regulation in the AP Extraordinary Gazette on 02.07.2021 (vide Regulation 4 of 2021) and a third amendment to the Principal Regulation in the AP Extraordinary Gazette on 29.04.2022 (vide Regulation 2 of 2022).

The Hon'ble APTEL in its Order dated 11.11.2011 in OP No 1 of 2011 held that Fuel and Power Purchase Cost is a major expense of the distribution Company which is uncontrollable and directed the State Commissions to put in place a mechanism for Fuel and Power Purchase Costs Adjustment in terms of Section 62 (4) of the Act, preferably on a monthly basis on the lines of the Central Commission's Regulations for the generating companies but in no case exceeding a quarter. The extant Regulation allows Distribution Licensees to recover the Fuel and Power Purchase Costs Adjustment on a quarterly basis. However, due to the regulatory process, it is getting delayed. The Government of India issued the Electricity (Amendment) Rules 2022 on 29.12.2022. Under these Rules, the impact in the cost due to variations in fuel cost and power purchases shall be automatically passed through in the consumer tariff, on a monthly basis, and on a methodology and formula specified by the Appropriate Commission. The Rules also specify that such monthly automatic adjustment shall be trued up on annual basis. Though the Rules do not per se bind it, the Commission felt that changing the method of recovery of FPPCA as proposed in the amendment ensures timely recovery of additional fuel and power purchase expenses incurred by the Distribution Licensees on the one side and avoids tariff shocks to the consumers on the other side.

Therefore, in order to comply with the directions of Hon'ble APTEL and align with the Government of India Rules, the Commission has decided to amend the Principal Regulation appropriately. Accordingly, the Commission placed a Public Notice along with a copy of the draft amendment on its website on 10.02.2023 inviting comments/suggestions/objections from all the stakeholders and interested parties on the draft amendment, if any, to be sent by email to commn-secy@aperc.in or by post to the Commission's office at Hyderabad so as to reach the Commission Secretary on or before 25th February 2023 for consideration by the Commission. In response, five sets of comments/suggestions/objections were received on the draft amendment. The comments/suggestions/objections received on the draft

amendment, the list of objectors and the Commission's analysis and decisions on the comments/suggestions/objections received are covered in the 'Statement of Reasons' issued by the Commission separately.

The Commission after considering all the comments/suggestions/objections received and in exercise of the powers conferred on it under sub-sections (zd), (ze), and (zf) of Section 181(2) read with Sections 61, 62 of the Electricity Act, 2003 (36 of 2003) and all other powers enabling it in that behalf, hereby amends the Principal Regulation as under:

1. **Short title, Extent, and Commencement**

- i. This Regulation may be called the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Fourth Amendment Regulation, 2023.
- ii. This Regulation shall extend to the whole of the State of Andhra Pradesh.
- iii. This Regulation shall come into force with effect from 01.04.2023.

2. With the coming into effect of this Regulation, the Andhra Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for Wheeling and Retail Sale of Electricity) Second Amendment Regulation, 2021 (Regulation 4 of 2021) and Third Amendment Regulation, 2021 (Regulation 2 of 2022) stand repealed with effect from 01.04.2023. However, the actions taken/to be taken, and orders passed earlier under the existing clause "FPPCA" of the regulations mentioned above are not affected, and are saved.

3. Sub-clause 12.4 in the Principal Regulation shall be substituted with the following:

"The Distribution Licensee shall be entitled to recover from or refund to the consumers, as the case may be, the FPPCA (Fuel and Power Purchase Cost Adjustment) according to the formula and other conditions specified in this regulation on a monthly basis automatically from time to time and such monthly automatic adjustment shall be trued up on an annual basis by the Commission".

4. The following sub-clause 12.5 shall be added after sub-clause 12.4 in the Principal Regulation.

"12.5. FPPCA (Fuel and Power Purchase Cost Adjustment)

The formula for FPPCA as under

$$FPPCA = (APPC-BPPC) / [1-(Loss\ in\% / 100)]$$

Where,

FPPCA = Fuel & Power Purchase Cost Adjustment in Rs/unit up to 4 decimal places

APPC = The actual weighted average power purchase cost per unit of energy, which shall be arrived at as the actual total power purchase cost (including the transmission & scheduling costs) in Rs. Million for the month for which the Distribution Licensee is recovering 'FPPCA' automatically divided by the actual quantum of power purchases in Million Units made by the Distribution Licensee from the sources approved by the Commission for that month.

BPPC = The base weighted average power purchase cost per unit of energy, which shall be arrived at as the total power purchase cost approved by the Commission in Rs. Million (including the transmission & scheduling costs) in the RSTO (Retail Supply Tariff Order) for the month for which the Distribution Licensee is recovering 'FPPCA' divided by the total quantum of energy in Million Units approved by the Commission in the RSTO for the Distribution Licensee for that month.

Loss in % = The weighted average Transmission and Distribution losses (%) approved by the Commission for the Distribution Licensee for the financial year (n) in which the Distribution Licensee is recovering 'FPPCA' or actual weighted average Transmission and Distribution losses (%) of the previous year (n-1) for that Distribution Licensee, whichever is lower.

Manner of recovery or refund of FPPCA by the Distribution Licensee and conditions:

A. The FPPCA arrived at as per the above formula shall be recovered from or refunded to the consumers by the Distribution Licensee, as the case may be, on a monthly basis automatically not exceeding 40 paise per unit.

Explanation: FPPCA Surcharge shall be computed and charged by the distribution licensee, in (n+2)th month, on the basis of actual variations in the costs of fuel and power purchase and intra & inter- state Transmission Charges for the power procured during the nth month.

For example, the FPPCA surcharge on account of changes in tariff for power supplied during the month of April of any financial year shall be computed and billed in the month of June (**CC Bill to be issued in June**) of the same financial year.

B. In case the distribution licensee fails to compute and charge FPPCA surcharge within the timeline, as specified above, except in case of any force majeure condition, its right to recover costs up to 40 paise on account of FPPCA surcharge for that month shall be forfeited and, in such cases, the right to recover the FPPCA up to 40 paise

for that month in annual true-up shall also be forfeited. However, in case of true-down, if any, the Distribution Licensees shall pay to the consumers by way of adjustments in future CC bills as determined by the Commission in the final FPPCA order at the end of the financial year.

- C. If the total FPPCA surcharge for a Billing Month exceeds 40 paise per unit, such an excess amount with carrying cost at the rate of State Bank of India Marginal cost of Funds-based lending Rate plus one hundred and fifty basis points shall be collected in a manner specified by the Commission in the final true-up Order for that financial year. In respect of any past claim that is admitted during the month exceeding 100 Crores, such claims may be spread over a period such that the EMI including the carrying cost of the past claim does not exceed 100 crores per month.*
- D. The FPPCA surcharge so computed for any month, or the fuel and power purchase cost variations for every month irrespective of recovery shall be submitted in the format specified in this Regulation along with actual category-wise sales vis-a-vis approval, and source-wise despatch & cost vis-a-vis approval with a detailed explanation, availability and PLF of each source, market purchases with detailed break up of segments (RTC, morning peak, evening peaks and night) exchange wise, Deep e- bidding portal, swapping, etc, PoC charges break up for scheduled CGS, market purchases and other approved sources, the past claims of any source, if any, with specific mention, backing down of thermal sources on account of RE and other reasons, if any, loss percentages, etc., by the end of the month during which FPPCA recovery is effected (for the 'n' th month variations, by the end of (n+2) month). The reports so submitted to the Commission shall be made available on the website of the Distribution Licensee under FPPCA heading in the Regulatory Compliance tab. The final true-up of the FPPCA surcharge for any financial year shall also be submitted in the same format along with the details mentioned above.*
- E. The final true-up of FPPCA surcharge for any financial year shall be submitted by the end of June 30 of the next financial year, and the Commission will issue a final order within 90 days from the date of filing of such annual true-up after calling for written objections from the general public, and after consideration of the same. If the licensee fails to file the final true-up by the end of June 30, its right to recover costs on account of the FPPCA surcharge for that year shall be forfeited and the FPPCA costs already recovered in the monthly bills shall be refunded by way of adjustment*

in future monthly cc bills. However, the Commission will initiate proceedings suo motu to pass on the true down if any.

- F. In case of excess revenue recovered for the year against the FPPCA, the same shall be recovered from the licensee at the time of the final true-up of that financial year along with its carrying cost to be charged at 1.20 times the carrying cost rate approved by the State Commission. Similarly, if any under-recovery, the carrying cost shall be allowed.*
- G. The Distribution Licensee shall pass through the FPPCA uniformly on all categories of consumers existing in that month based on their consumption(kWh/kVAh). The Distribution licensee may likely under-recover or over-recover costs due to variations in sales, losses, etc, with reference to approval in Tariff Order as per the FPPCA formula. In the event of over-recovery of costs as per the formula, the Distribution licensee shall limit the FPPCA amount to the actual variation of power purchase costs with reference to the Tariff Order by suitably correcting the FPPCA per unit. Similarly, in the event of an under-recovery of costs, the FPPCA per unit shall be suitably corrected to equate the FPPCA amount to the actual variation in power purchase cost with reference to the Tariff Order of that month. To arrive at the power purchase costs variation, the least of the following power purchase quantity is to be considered.*
- i. The actual power purchase quantity procured by the licensee for its consumers*
 - ii. Power Purchase quantity computed based on the actual sales by grossing up with actual losses or approved losses for that relevant year in RST Order, whichever is lower.*
- H. As power purchases are being done for all three licensees together, the actual PP cost shall be shared in the ratio of actual power drawn by each licensee at the end of each month to not have much variance in the FPPCA of each licensee.*
- I. The Distribution Licensee shall raise the FPPCA bills on the Government in respect of the consumers who are provided 100 percent tariff subsidies under Section 65 of the Electricity Act, 2003. The subsidy true-up/down on account of variations in the sales of agricultural consumers under the free power category will be done after the end of the financial year during the final true-up of FPPCA.*

- J. The Distribution Licensee shall place on its website the details/gist of the FPPCA computed every month before the FPPCA amounts are raised in the monthly CC bills of the consumers for information and wider reach of the public.*
- K. To ensure smooth implementation of the FPPCA surcharge mechanism and its recovery as per this Regulation, the distribution licensee shall ensure that its billing system and power procurement software and systems are updated.*
- L. The Commission, suo motu, or an application from the licensee, may review or add or amend or alter any of the above clauses and pass appropriate orders to remove any difficulty in the implementation of these clauses.*

(BY ORDER OF THE COMMISSION)

Hyderabad
29.03.2023.

K. RAJA BAPAI AH,
Commission Secretary (I/c).

FORMAT

Cost Components (Rs. Millions)																						
S. No.	Generating Station / State / Source	Plant Capacity (MW)	Discoms	Energy (MU)	Cost Components (Rs. Millions)																	
					Fixed (A)			Variable (B)			Incentive (C)			Income Tax (D)			Others (E)			Total		
					TO		Actual	TO		Actual	TO		Actual	TO		Actual	TO		TO		Actual	Variance
					(d)	(e)	(g)	(h)	(i)=(h-g)	(j)	(k)	(l)=(k-j)	(m)	(n)	(o)=(n-m)	(p)	(q)	(r)=(q-p)	(s)	(t)	(u)=(t-s)	
1	X																					
2	Y																					
3	Z																					
-	Transmission Cost																					
-	LDC Costs																					
	Past claims/refunds, if any, pertaining to the month(s) prior																					

[illegible]
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